

Message Text

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ORIGIN SS-25

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EXT. 20701 4/9/73

APPROVED BY NEA: JJSISCO

S/ S - MR. BARNES

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R 101721 Z APR 73

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

C O N F I D E N T I A L STATE 066162

EXDIS

E. O. 11652, GDS

TAGS: EFIN, IN

SUBJECT: RUPEE PROBLEM

REF: NEW DELHI 3886

FOR AMBASSADOR FROM ASSISTANT SECRETARY SISCO

1. RECOGNIZING THAT YOU MAY NEED TO PROCEED WITH PRE-LIMINARY TALK ON RUPEE QUESTION BECAUSE COMMITMENT ALREADY MADE, I WOULD GREATLY PREFER THAT YOU HOLD OFF UNTIL YOU HAVE AN OPENING NEGOTIATING POSITION IN HAND. PRELIMINARY DISCUSSIONS CONCERNING DEFINITIONS AND PARAMETERS MAY THEMSELVES FORECLOSE NEGOTIATING OPTIONS.

2. TO MENTION ONE EXAMPLE, OUR PRESENT BALANCES ARE DIVIDED, BETWEEN THOSE IN THE RBI (ROUGHLY DOLS 800 MILLION EQUIVALENT) AND THOSE IN INDIAN BRANCHES OF US BANKS (ROUGHLY DOLS 90 MILLION EQUIVALENT). WE WOULD NOT EXPECT THE LATTER FUNDS WHICH HAVE ALREADY BEEN WITHDRAWN FROM THE RBI TO BE SUBJECT TO NEGOTIATION.

3. PERHAPS MOST IMPORTANT, WE WOULD EXPECT THE INDIANS, IN ANTICIPATION OF BEGINNING OF RUPEE NEGOTIATIONS, TO CLEAN UP CERTAIN MATTERS ON THEIR SIDE SUCH
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AS THEIR RESTRICTIONS ON OUR USE OF RUPEES FOR JOINT SCIENTIFIC RESEARCH. YOU CAN APPRECIATE THAT, TO THE EXTENT DISCUSSIONS HAVE ALREADY BEGUN, THE EASIER IT WOULD BE FOR GOI TO AVOID PROMPT ACTION. YOU SHOULD AVOID TO EXTENT POSSIBLE, FURTHER PRESS ATTENTION TO RUPEE NEGOTIATIONS. WE HAVE IN MIND INFORMING PRESS DURING DEPUTY SECRETARY' S VISIT THAT ONE OF RESULTS WAS AGREEMENT TO START DETAILED NEGOTIATIONS.

4. WE INTEND TO KEEP UP PRESSURE HERE TO KEEP NEGOTIATING PACE ACTIVE AS YOU DESIRE. AT SAME TIME WE WILL NEED TO START OUT WITH STIFF POSITION AND KEEP OUR BALANCE OF PAYMENTS PROBLEMS IN MIND IN WHAT ARE SURE TO BE TOUGH NEGOTIATIONS.

5. WE ARE MAKING PROGRESS IN OUR EFFORTS TO GET YOU A FULLY AGREED NEGOTIATING POSITION AND HOPE TO HAVE SUCH INSTRUCTIONS TO YOU SOONEST. ROGERS

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*** Current Handling Restrictions *** EXDIS

*** Current Classification *** CONFIDENTIAL

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